

REDEVELOPMENT AGENCY  
of the  
CITY OF OREM  
September 23, 2014

CONDUCTING	Chair Richard F. Brunst, Jr.
BOARD OF DIRECTORS	Hans Andersen, Margaret Black, Tom Macdonald, Mark Seastrand, David Spencer, and Brent Sumner
APPOINTED STAFF	Jamie Davidson, Brenn Bybee, Richard Manning, Ryan Clark, and Taraleigh Gray
EXCUSED	Board member Mark E. Seastrand

The Redevelopment Agency (RDA) Meeting convened at 7:09 p.m.

**APPROVAL OF MINUTES – July 22, 2014**

Mr. Andersen **moved** to approve the minutes of the July 22, 2014, Redevelopment Agency Meeting. Mrs. Black **seconded** the motion. Those voting aye: Hans Andersen, Margaret Black, Richard F. Brunst, David Spencer, and Brent Sumner. The motion **passed** unanimously.

**SCHEDULED ITEMS**

RESOLUTION: Adopt an official Project Area Plan for the University Place Community Development Project Area

Ryan Clark said the University Place Community Development Area (CDA) and its subsequent Draft Project Area Plan would facilitate the redevelopment of the University Mall property located at 575 East University Parkway and redevelopment of surrounding properties. University Place was a master-planned, mixed-use redevelopment project that would add Class A office space, additional retail, a new park, residential units, and additional infrastructure to an already successful regional retail shopping mall.

It was estimated that the following development would be constructed as part of the University Place revitalization project:

- 400,000 SF new retail (less 175,000 SF of existing retail to be demolished)
- 700,000 SF new office
- 1,250,000 SF new multifamily residential
- 70,000 SF new hotel

Tax Increment arising from the development of the Project could be used to pay for public infrastructure improvements, Agency-requested improvements and upgrades, both off-site and on-site improvements, land incentives, desirable Project Area improvements, and other items as approved by the Agency.

Adoption of the Draft Project Area Plan would assist the City of Orem with business attraction and expansion, new job growth, increased tax revenues, and was anticipated to act as a catalyst to future development and reinvestment in the surrounding area.

Mr. Davidson said staff sought consideration for the proposed University Place CDA.

Ryan Clark led a presentation to the Board regarding the proposed University Place CDA. He explained the tools that could be utilized for economic growth in Orem as follows:

#### Tax Increment Project Areas

- Under Utah Code 17c “Limited Purpose Local Government Entities – Community Development and Renewal Agencies Act,” Utah’s local governments had the authority to conduct economic development activities within their communities through their Redevelopment Agencies.
- Under the act, agencies were allowed to create three types of project areas:
  - Community Development Areas (CDAs)
  - Economic Development Areas (EDAs)
  - Urban Renewal Areas (URAs)

Mr. Clark said the CDA was an available tool that the City could utilize to maintain stability in a competitive marketplace. The City needed to compete with other jurisdictions, both inside and outside Utah. Many could argue that the tool was not the correct tool to use and, if that was the case, then the State legislature should remove the tool.

Mr. Clark explained some examples of competition:

- Other peer cities had used RDAs and tax-increment incentives to attract Orem businesses away from Orem, for example:
  - DoTerra – 527 jobs (left Orem and went to Pleasant Grove)
  - Adobe – 650 jobs (left Orem and went to Lehi, grew to 950 jobs)
  - AtTask – 145 jobs (left Orem and went to Lehi)
  - Xactware – 507 jobs (left Orem and went to Lehi)

Mr. Clark said Orem had lost 1,700-plus jobs to developments attracting business away from the City of Orem.

Mr. Clark said Orem needed to grow assessed property values to grow its property tax base. He introduced Tax Increment benefits as follows:

- Keep current dollars – there would be no tax increase to citizens.
- Limit exposure – arrangement would involve post-performance incentive
  - No City/RDA debt issuance would be necessary.
- Keep 25 percent of revenue from new development (estimated at \$3.2 million).
- After the 20-year project area term, the City would retain all City-dedicated property tax increment.

Mr. Davidson said under current Utah redevelopment law, once a project area was created and the project base locked in, in the event that property was being demolished, the property tax on the demolished property would stay at the capture rate. The CDA protected the existing base at

the present, and would not negatively affect assessed valuation of property. There would be no impact on property taxes to Orem. The CDA protected the City's assessed base at University Mall.

Mr. Clark continued, saying the existing taxable value at University Place was \$130 million. The potential taxable value of that area with the creation of a CDA would be \$430 million. With that, Orem would also benefit from increased sales tax (\$11.3 million), gas and electric franchise fees (\$8.2 million), and hotel transient room taxes (\$6.76 million).

Mr. Clark showed graphics depicting the potential taxable values with and without the CDA.

Mr. Davidson said the discussion being had was about money that did yet not exist. The CDA would be taking proceeds from new tax increment and investing it in new infrastructure.

Mr. Clark explained that Orem had water and sewer lines running throughout the mall property that required updating. The existing infrastructure was well over 43 years old. The City would need to improve that infrastructure regardless of the University Place project. The cost for the infrastructure requiring update was estimated as follows:

- \$5.4 million for road and utility infrastructure
- \$3.9 million for East to West road construction.

The CDA was a means to pay for infrastructure and transportation from redevelopment dollars. Updating the infrastructure would also mitigate traffic issues along University Parkway at State Street and 800 East.

Mr. Clark outlined the expense of redevelopment. Orem had a limited amount of "greenfield" (undeveloped raw land). There were 299 undeveloped acres in Orem, and 288 acres of farmland/orchards in Orem. The total acreage in Orem was 11,712 acres, with only 5 percent being greenfield. Orem's neighboring/competing cities had raw land available for development. Orem did not have the luxury of undeveloped "greenfield" areas. For that reason, redevelopment was Orem's best option.

Mr. Clark said the University Place development was important to Orem in that the University Mall area was a major tax contributor to the City, which tax revenue was extremely important for the City to sustain services.

Mr. Davidson said recently the City had had the opportunity to meet with many rating agencies, one of which was excited with the fact the City was choosing to reinvest in the property in question. The rating agency was encouraged that a developer wanted to reinvest in a community. The creation of the CDA would positively impact Orem from a rating perspective.

Mr. Clark discussed Class A office space, a component of the mixed-use at the University Place development project. Orem had a disadvantage in that there was not a lot of Class A office space available within the city. The University Place development planned to incorporate Class A office space within the development at the existing University Mall, which would give Orem an advantage by being able to provide office space for potential businesses to come to Orem.

Mr. Clark showed graphics that illustrated the proposed University Place development to show the different features that would be foregone, should the Alpine School District only choose to participate at a lesser percentage split.

Mr. Clark said RDAs (and the similar CDAs) add value to a city. He provided the following information to support that:

Growth Assessed Value (Since Inception)	Growth Rate	Average Annual Growth Rate
Orem Business Park 85-1	8,039.3%	17.7%
Timpanogos Research and Tech Park 85-02	832.3%	8.3%
1300 S (East) 85-03A	218.8%	4.4%
1300 S (West) 85-03B	1,537.7%	10.9%
State Street (South) 85-04	167.8%	3.7%
State Street (North) 87-10	113.5%	3.2%
500 North to 1200 N 90-08	209.3%	5.0%

Mr. Macdonald asked if the University Mall had ever incorporated into an RDA. Mr. Clark said it had not.

Mr. Clark said that all of Orem's existing RDAs had increased in taxable value. The RDAs were projected to create over \$66 million in total property tax increment. Tax increment had built roads and other utility infrastructure, financed park and recreation improvements, promoted job growth, and spurred retail development.

Mr. Clark showed aerial photos depicting the growth of several RDAs in Orem. He said creating a CDA would allow for faster development and would allow for more high quality development with the assessed valuations. It would also build momentum for attracting new tenants. Furthermore, the CDA would act as a catalyst for further development surrounding the CDA.

Mr. Davidson said that, as currently proposed, the project had an upside of \$13 million of new revenue. The idea of post-performance incentive was not unique to Orem.

Mayor Brunst said he was excited about Woodbury investing in Orem. Woodbury and Orem had worked hard over the years to help and support each other. The CDA had tremendous benefit. He said the City should go for the long term and for the benefits that would come from the long term.

Randy Woodbury said he wanted to reiterate the post-performance aspect of the project. If Woodbury did not make the investment, there would be no participation as a rebate. Creating a CDA was a means of leveraging a way to do more.

Mayor Brunst said the five taxing entities would each take part, and the money would be earned by Woodbury's performance.

Mayor Brunst opened the public hearing

Wayne Burr said the Council sometimes made a mistake. The idea that the Board always made the right decisions was not always true. He said he wondered how the Board would find out the will of the people. He said the issue should be put on the ballot to ask the people if they wanted to do it. Government getting involved in business was not a founding principle of the country. He asked that the people be allowed to vote on the issue.

Jim Fawcett said he found out the project was not feasible. Woodbury came to the City to rezone the area to carry out its grand ideas. Mr. Fawcett asked why the City should build a road on private property. The mall could do what it wanted, and if they could not afford it then the City should stand back.

Bob Wright said he had always been in favor of the mall to be developed. He said the City should allow Woodbury to carry out its project without the City getting involved in any investment in the project.

Jacob Seibach said he had concerns about the creation of a CDA. He said he wanted the redevelopment, but government should not be involved. The mall should invest as it had the funds.

Melodee Andersen spoke in opposition of the CDA. She voiced concern for government getting involved in corporate welfare.

Margaret Holmes wondered what would happen if Woodbury was unable to do what it intended. She wondered why Orem was reinvesting in something it did not have a guarantee on.

Sharon Anderson said governments were set up to secure the rights of the people. She did not see how this project was protecting the rights of the citizens of Orem. If it was a viable project it would be successful without Orem's subsidy in the form of tax increment. She wondered how Alpine would make up the millions of dollars it would not get back. She did not think it was right to bestow all the benefits upon one corporation.

Bonnie Pence spoke in opposition of the CDA. She said it wasn't a matter of "if," but rather "when" that the dollar would no longer be the dominating currency. In time, people would not have the ability to buy things they wanted. Because of that, there was no need to put in more retail.

Nathan Guinn spoke of his disappointment that the Board was not representing the people of Orem. If there was a company unable to recognize the highest and best use of the real estate, then someone would come along and buy it up. He thought the City should allow the Mall and free enterprise to take place.

An unnamed citizen said education cost more in the United States than it did on the other side of the Atlantic. He suggested the Alpine School District put money into teachers, not buildings. He spoke in opposition of the CDA.

Becky Coldwell asked that the Board put the CDA decision to a vote of the citizens. She did not think an expeditious process was necessary. She said she felt passionately to let the free enterprise system work and did not think it was the role of government to get involved.

Jim Evans said the majority of citizens liked what Orem had to offer, such as parks and various City resources which were made available to the citizens on a daily basis. He shared a quote and said “growth was never by mere chance; it was by force of working together.” He spoke in favor of approving the CDA and said the RDA Board had to determine if it was willing to be bold.

Matt (last name not given) said government worked best when decisions were based on solid principles. He said the creation of a CDA failed on three accounts: risk, fairness, and meddling. Just because it looked appealing did not mean the City should get involved.

Phil Borg said it was disappointing that the City was gambling taxpayer money.

Leslie Louw said she did not care about high-rise buildings in downtown Orem. She spoke in opposition of the CDA and encouraged the Board to support liberty and justice for all.

Lyn Lyman said she wanted the City to consider the cost to build the proposed project. She voiced opposition to the project at University Mall and the CDA.

Kathy Young asked if the Board had gone door to door and asked the citizens what they wanted and if the citizens knew what the proposed plan was.

Dave Howard said he had to pay for infrastructure out-of-pocket for the building of his home. The Board and Chair had no right to choose to invest the taxpayers’ money in the proposed way.

Brian Kelly shared a personal story and said it was jobs that kept people in Orem. He spoke in favor of the CDA.

Mayor Brunst closed the public hearing. He allowed time for the Board members to voice their views on the creation of a CDA.

Mr. Spencer said that if costs went up, then that would be Woodbury’s problem. He said the State legislature endorsed the program.

Mr. Davidson said a lot of growth was happening in the northern part of Utah County. Much of that investment came from tools (businesses) that had left Orem. There were many businesses that had their genesis in Orem and had since left, namely Adobe. Businesses left because they did not have the opportunity to grow here. Many cities offered incentives for businesses to move to their areas, incentives that Orem did not have the ability to offer. What was unique about the CDA proposal was that it would not be using proceeds to entice one particular tenant. Infrastructure was the goal. Utility lines, parking structures, parks, and roads would all come with the creation of the CDA at University Place. All of the added infrastructure would remain in the Orem community, regardless of what businesses would occupy the space within the buildings. Mr. Davidson applauded the developer for wanting to invest in Orem. Mr. Davidson

said that it was a mistake to choose not to take advantage of the tools and resources available. The CDA tools should be considered as part of any economic development endeavor.

Mr. Macdonald said he agreed that there were several projects in the past that the city got involved in, which had not come to fruition. However, he said a CDA was not a tax increase. Orem and the other taxing entities would continue to get 100 percent of what they were getting at the capture rate and would share the increase. Woodbury would take the risk. He said it was unfortunate that people did not understand the win-win philosophy of the CDA economic tool. Orem would not have to front the necessary infrastructure. Mr. Macdonald addressed the fear that if it was good for some it must be bad for them. That was not the case. Tax revenues for the city would increase, and Orem would share part of the increase over the 20 years. As a Board member and landlord, he was in favor of the CDA. He did not want to put up a sign that said Orem was closed for business. The City would not get another chance like this in the near future, so he encouraged the Board to keep Woodbury and the University Mall in Orem, and to keep it vibrant.

Mr. Andersen said earlier in the meeting the Council had voted to allow property owners to develop their property as they wished. Another group was at the meeting who wanted to develop 854 apartments. He wondered what the difference was between them. He wondered how the City justified the little business to the big businesses. He thought the mall was asking for a 75 percent discount on property taxes. He did not understand how the City could have the little landlord pay 100 percent of property tax when the big landlord was getting a 75 percent discount. Mr. Andersen said the Board was talking about giving one business \$63 million. He asked if that was fair. The creation of a CDA would not change the shopping habits of the people of Orem. Private enterprise should be allowed to be free enterprise. He said the highest and best use was allowing the free market to work. Mr. Andersen said the citizens could refer this action, just like they had the truth in taxation effort two years ago.

Mrs. Black said it was important to get the facts given by the presentation. She voiced concern about the robo-call funded by Mr. Andersen that was sent through Orem. She encouraged citizens to get the information to fellow citizens and get them aware of all of the facts. The amount of \$9.6 million was different from the \$63 million mentioned in the robo-call. She stressed the need for citizens to be aware of the facts and what was real. Mrs. Black said the money would come solely from future taxes. No increment tax would be generated if there was no growth. This was a great investment in the future of Orem. The value of the City was estimated to grow six fold in that period of time. No matter how much value was created, Orem would not lose anything because any tax increment distributed to Woodbury was dependent on Woodbury's performance. All the entities would continue to collect current values. Mrs. Black said Woodbury would only be able to use the tax increment funds for public infrastructure improvements. The road which would be erected would relieve traffic, the park would be a new feature in the city, and aging utilities would be replaced—all because Woodbury would be investing \$500 million of its own money into the project. Cities used the RDA tool to incentivize and attract business. Revitalized areas in other cities were the result of the same tool. Mrs. Black supported that point by discussing the progress Ogden City had made with regard to RDA-like tools. Mrs. Black said she supported the CDA and believed the effort would serve as a catalyst for other developments in Orem.

Mr. Spencer said his main concern in Orem was the future. He was concerned about the utilities, all of which were aging. Utilities would have to go up. If the City was looking at the future, and Woodbury was willing to put in \$500 million dollars for a property tax rebate on the additional value they bring into the property, to him it was a win-win. He wondered what the Board was guaranteeing with the moving forward.

Mr. Clark said the City would not be guaranteeing anything; it would be up to Woodbury to perform. The base capture rate would not change. The cost to the City was nothing. The cost to the citizens was nothing. There would be no bonding.

Mayor Brunst said they were there as elected officials to make the best choice for Orem. The reality was that the CDA tool was post-performance tax increment financing. Woodbury was taking the risk, not the City. There would be no bonding, and the City would not be going into any debt. The citizens would not be taxed more. More jobs would be created through using the CDA tool. Through judicial and wise use of business incentives, Utah's local economy had grown. Mayor Brunst said he believed there were many benefits in using the incentives that the legislature had put into place.

Mayor Brunst **moved**, by resolution, to adopt an official Project Area Plan for the University Place Community Development Project Area. Mrs. Black **seconded** the motion. Those voting aye: Margaret Black, Richard F. Brunst, Tom Macdonald David Spencer, and Brent Sumner. Those voting nay: Hans Andersen. The motion **passed**, 5-1.

RESOLUTION - Approve an Interlocal Cooperation Agreement between the Redevelopment Agency of the City of Orem and the City of Orem

Mr. Clark said the Redevelopment Agency of the City of Orem desired to enter into this agreement to receive a portion of property tax increment generated within the University Place Community Development Area back from the City of Orem. Tax Increment arising from the development of the Project may be used to pay for public infrastructure improvements, Agency requested improvements and upgrades, both off-site and on-site improvements, land incentives, desirable Project Area improvements, and other items as approved by the Agency.

Mr. Clark summarized by stating the resolution authorized the mechanics of the 75/25 split.

Mrs. Black **moved**, by resolution, to approve an Interlocal Cooperation Agreement between the Redevelopment Agency of the City of Orem and the City of Orem. Mr. Macdonald **seconded** the motion. Those voting aye: Margaret Black, Richard F. Brunst, Tom Macdonald, David Spencer, and Brent Sumner. Those voting Nay: Hans Andersen.

At Mr. Spencer's request, Greg Stevens, City Attorney, clarified that the resolution would authorize the 75/25 split. At a later point, an agreement would determine specifically what the developer could do with the tax increment.



## **ADJOURNMENT**

Mr. Macdonald **moved** to adjourn the meeting of the Redevelopment Agency of the City of Orem and to reconvene the Orem City Council meeting. Mr. Spencer **seconded** the motion. Those voting aye: Mr. Andersen, Mrs. Black, Mr. Brunst, Mr. Spencer, and Mr. Sumner. The motion **passed** unanimously.

The meeting adjourned at 9:24 p.m.

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Donna R. Weaver, Secretary

Approved: November 11, 2014